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RUEAIIA/CIA WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
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SUBJECT: MGLE01: SYRIAN ACCOUNTS COMFORTABLE IN LEBANESE
BANKS

1. On March 6, the Daily Star, a Lebanese English daily, reported that Syrian newspapers have claimed in recent editions that USD 3 billion in bank deposits were withdrawn from Lebanese banks by Syrian depositors in recent weeks due to political tensions between Syria and Lebanon. On March 4, the Lebanese Arabic daily ad-Diyar reported that the Director General of the Syrian Commercial Bank, Doreid Dorgham stated that USD 10 billion of Syrian deposits have been withdrawn from neighboring countries, including Lebanon, in the year following the assassination of Prime Minister Rafiq Hariri.

RUMORS UNFOUNDED

2, Makram Sader, the Secretary General of the Association of Banks in Lebanon, told Econoff in a March 6 conversation, that the rumors of Syrian withdrawals are "unfounded" and he has seen only "normal movements" of bank deposits in recent months. Saad Azhari, the Vice President of the Banks' Association and Deputy Chairman of BLOM Bank, told us on March 6, "the press information is incorrect" regarding the Syrian withdrawals. BEMO General Manager Samih Saadeh told us that the reports are "inaccurate."

TOTAL SYRIAN DEPOSITS IN LEBANON
BETWEEN USD 1.5 - 3 BILLION

3. Sader told Econoff that the Lebanese banking sector had USD 9.1 billion in non-resident deposits at the end of January 2006; this figure includes all includes deposits from non-resident Lebanese, the Arab business community, Syrians, and all other nationalities. Lebanese bank secrecy laws do not allow reporting of bank deposits by nationality, but Sader said that he estimated that non-resident Syrians hold USD 1.5-2 billion of deposits. Azhari estimated that Syrian non-residents held roughly USD 2.5 billion of banking deposits. Saadeh estimated that Syrian deposits in Lebanon's banking sector totaled USD 2-3 billion, and Syrian deposits in Jordan's banking sector totaled roughly USD one billion. Saadeh also believes that USD 500-600 million of Syrian deposits held by key Syrian figures left the Lebanese banking sector for Syria and Jordan in the year following the Hariri assassination.

NORMAL DEPOSIT GROWTH
IN LEBANON IN RECENT MONTHS

¶4. Sader said that in the two months following the assassination of PM Hariri, USD 2.6 billion of deposits left the Lebanese banking sector, but deposit growth had increased 7.6 percent (from USD 54.1 billion to USD 58.2 billion) between June 2005 and January 2006. He speculated that Dorgham was likely confusing the amounts of Syrian deposits in Lebanon, Syrian deposits in OECD countries, and Syrian deposits in Lebanese banks in OECD countries; he said that total Syrian deposits in OECD nations and Lebanon may be close to USD 10 billion. When Econoff asked Sader about the timing of the press reports, Sader said "the press always exaggerates reality" and maybe a story was created "to apply pressure." Saadeh said false rumors of large Syrian withdrawals from Lebanese banks appeared in the news following the Hariri assassination and were "proven to be false" then. Foreign banks have only been permitted entry into the Syrian market since 2003. According to Sader, four Lebanese banks now operate in Syria--Audi Bank, BLOM Bank, Byblos Bank, and BEMO Bank.
FELTMAN